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**Ethical trading and socio-economic transformation: critical reflections on the
South African wine industry**

David Bek*, Cheryl McEwan*, Karen Bek**

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* Department of Geography, University of Durham, Science Site, South Road, Durham,
DH1 3LE (cheryl.mcewan@durham.ac.uk; bek_dave@hotmail.com)

**Department of Sociology, University of Warwick, Coventry, CV4 7AL
(k.e.bek@warwick.ac.uk)

Address for correspondence:

Dr Cheryl McEwan

Department of Geography

Science Site

South Road

Durham DH1 3LE

Tel: 0191 3341941

Fax: 0191 3341801

Email: cheryl.mcewan@durham.ac.uk

Ethical trading and socio-economic transformation: critical reflections on the South African wine industry

Abstract

Newly emerging ethical trade practices in the South African wine industry are examined as a way of engaging with debates about the ability of alternative trade approaches to facilitate meaningful opportunities for socio-economic development in the global South. The South African wine industry has undergone rapid restructuring since the end of apartheid in order to meet the demands of international markets. However, transforming racially skewed ownership and skill patterns is proving a particular challenge. This paper outlines some of the initiatives that have been introduced to stimulate socio-economic change within the industry. By utilising analytical tools such as commodity chains, networks and cultural approaches we demonstrate that a complex array of forces is driving change on the ground. Such forces include national imperatives derived from the legacy of apartheid and the concerns of consumers in the global north. The paper concludes by considering the types of local and global constraints that need to be challenged if these initiatives are to be successful in facilitating meaningful socio-economic transformation within the wine industry.

Introduction

In an era of neo-liberal globalisation developing nations have been encouraged, some would say coerced, to liberalise their economies and engage with international trade flows in order to promote socio-economic development. Critics point out that the “rigged rules and double standards” (maketradeair.com 2004) that typify the

international trade regime militate against developing nations and ensure that the hegemony of advanced industrial countries is maintained. However, proponents of outward orientation emphasise that benefits *are* to be gained through identifying profitable niches in global trade markets, suggesting that more equitable forms of economic transformation can occur if a putative ‘high road’, characterised by higher skill and wage levels, to economic growth and development is followed (Simon 2001). Alternative approaches to trade are one facet of these new opportunities that, it is claimed, can harness the forces of globalisation in the interests of the poor. A major arena of contemporary debates concerns the possibilities offered by ‘ethical’ and ‘fair’ trade. (Ethical trade refers to a sourcing project that concentrates on conditions of labour within the place of work; unlike fair trade it does not explicitly challenge unjust power relations in trade between rich and poor countries.) Supporters believe that such approaches can facilitate ‘globalisation from below’ and stimulate more equitable forms of development; critics are concerned that they merely represent novel means for global corporations to exploit niches in global markets, driven by consumption in affluent economies and delivering very little in real terms to poorer countries.

In this paper, we engage these debates through a case study of ethical trade in the South African wine industry. Despite being largely ignored in academic studies of fair/ethical trade outside South Africa, where the material cultures of chocolate, tea, coffee and bananas have tended to dominate (e.g. Barratt-Brown 1993; Renard 1999; Smith 2002; Tallontire 2000), the South African wine industry has played a significant role in international ethical trade initiatives. It is also a highly capitalised sector of the economy, in contrast to smallholder production that has tended to dominate debates, and

is of particular significance to the challenges facing post-apartheid governments. On the one hand, there is a political and moral imperative to dismantle the racially delineated socio-economic disparities that rank the nation amongst the most unequal in the world (Adedeji 1993; Binns 1998). On the other hand, the inward-looking nature of the apartheid economy, reinforced by decades of sanctions and boycotts, left a legacy of outmoded production and trade structures. Thus, within a context of globalisation there has been a need to decisively re-constitute the nation's links with the international economy in order to stimulate economic growth and employment. In 1996, the government introduced its Growth, Employment and Redistribution (GEAR) macro-economic programme; heavily influenced by the form of neo-liberalism hegemonic within the international financial institutions at that time, GEAR aimed to challenge the anti-export bias that had long been embedded within national trade policy (Cassim and Onyango 2001). Thus, a tight fiscal stance was adopted, exchange controls were relaxed and tariff programmes rationalised, with the principal aim of creating an environment to attract inward investment and stimulate exports (Bond 2000). Despite this disciplined adherence to neo-liberal orthodoxy, however, gaining a significant foothold within the highly competitive and asymmetric global economy has proven difficult. Land-based production activities in particular have struggled to compete within a more open trade regime (Marais 2001).

Given the dual politico-moral and economic imperatives driving restructuring in South Africa, debates about the role of globalisation and alternative forms of trade in transforming the lives of the poor are of particular concern here. This paper examines these issues by exploring ongoing efforts by actors within South Africa's wine industry

to exploit ethical niches within international markets. The industry has the potential to enjoy a strong competitive advantage on the global stage and producers and wholesalers are transforming business structures to meet the demands of international markets. An array of processes have been operating simultaneously that seek to effect transformation of a very different kind; that is in terms of radically improving ‘black’ people’s access to opportunities within the industry (we use the term ‘black’ as inclusive of all people of colour, whilst being mindful of the sensitivities associated with such terminology). We examine the complex forces driving these latter initiatives. Under apartheid the wine industry was not only exclusively white-owned but also infamous for the appalling treatment endured by its black workforce. We demonstrate how efforts to effect these two transformations are in some cases becoming intertwined, with evidence suggesting that localised endeavours driving socio-economic transformation are connecting with broader international moves towards ethical trade. We explore how improving working conditions and re-dressing patterns of racially defined privilege creates possibilities for individual producers, and the industry as a whole, to embark on an export-oriented ‘high road’, connecting with northern consumers’ demands for ‘ethical’ produce. In this sense these South African-based ‘empowerment’ initiatives are particularly interesting as they seek explicitly to effect transformation through engagement with global forces, which are more usually associated with the generation of socio-economic disparities.

The primary focus of the paper is to elucidate elements of ongoing socio-economic transformation within the South African wine industry, particularly those elements that seek to engage with northern consumers through the promotion of explicitly ethical production practices. Analytical tools drawn from contemporary

theorisations of globalised systems of production and consumption are deployed in order to shed light upon the complex processes emerging within the industry. These approaches illustrate the apparently constructive role played by UK-based consumers and retailers (the UK is by far the biggest market for South African wines) in facilitating agents of progressive change within the Winelands region of the Western Cape. We seek to highlight the ways in which momentum for transformation is gathering pace, but also the constraints that exist in the form of local elite resistance and the business practices of UK-based retail corporations. Our assessments are based on research conducted in the Western Cape in March/April 2004. A wide range of informants involved in the South African wine industry were interviewed including producers, managers, government officials, consultants, representatives of labour unions, employment associations, marketing associations and empowerment-focused wine industry bodies. Due to the politically and commercially sensitive nature of much of the information the identity of all sources is protected. 210 postal questionnaires were also sent to former members of the Anti-Apartheid Movement in the UK (facilitated by Action for Southern Africa (ACTSA) with a 55% response). The survey explored people's knowledge of and attitudes to alternative trade products emanating from South Africa.

We begin by exploring the utility of concepts such as commodity chains, networks and cultural approaches in bringing meaning to ongoing changes in the wine growing regions of South Africa. A contextual account of the South African wine industry provides a backdrop for understanding how and why efforts to transform the industry have evolved in the last decade and the importance of UK-based consumers and retailers in facilitating the emergence of new transformative initiatives. Two aspects of

the ongoing transformation process are examined in detail: grassroots worker-focused schemes on individual estates and industry-wide initiatives, such as the Wine Industry Ethical Trade Association (WIETA). The actual and potential contribution of such initiatives to meaningful socio-economic change is examined as we consider the extent to which they represent a progressive path to socio-economic transformation. We conclude by outlining some of the multi-scalar struggles that lie ahead if a meaningful transformation is to be effected in the South African wine industry.

Conceptualising transformations in the wine industry

The mechanics of global agri-business have been the subject of much theoretical consideration in recent years. The global commodity chain (GCC) approach has been perceived as an accepted point of entry for analysing the relationships between global core and (semi) peripheral regions in the production and consumption of commodities (Gereffi 1994a; Gereffi 1994b). Such an approach enables the distribution of power within international commodity chains to be considered (Goodman and Watts 1997) and can illuminate the origins of the exploitative practices that impinge upon the development of producers in peripheral regions (Gwynne 2003). Whilst the GCC approach is widely perceived to have many strengths it is also constrained by its lack of conceptual sophistication. It tends to privilege processes at the site of production, thus losing sight of the impacts of consumption practices (Cook et al. 1996; Leslie and Reimer 1999). The perceived linearity of the connections between different actors in the chain is also a significant shortcoming. Instead the interactions between different actors may best be understood through the deployment of a network metaphor, with flows of

information, which undergo constant mediation and re-interpretation, occurring in various directions between actors within a network (Bebbington 2003).

A strength of a network-based approach is that it facilitates explanations for the competitive pressures experienced at the site of production by tracing the “multi-stranded connections between a variety of significant and interrelated actors” instead of the “uni-directional, causal mechanisms suggested by GCC” (Hughes 2000: 177). This allows for a more meaningful investigation of the complexity and opacity of global systems agro-food production and consumption. Interestingly, actors within the wine industry invariably conceptualise their business as part of a linear ‘value chain’, which works to the advantage of certain actors, especially retailers whose interests are best served by maintaining such simplistic conceptualisations. Network-based approaches assist in bringing greater understanding to the realities of daily business practice within the industry. The ensuing analysis illustrates how a complex network of actors (including *inter alia*, government, TNCs, northern consumers, international regulatory institutions, industry bodies, farmers and workers) interact to facilitate and/or constrain socio-economic development within the South African wine industry.

Such understandings can be supplemented through reference to cultural processes. It has increasingly been recognised that the processes of commodity production, distribution and consumption are continually subject to culturally based interpretations (Cook et al. 1996; Jackson 1999). A critical contribution of this approach has been to bring the realm of consumption to the forefront of analysis; thus:

rather than prioritising realities at the site of production, and simply
searching for causal mechanisms responsible for these realities...work on

commodity cultures aims to thicken descriptions of the meanings attached to goods through a cultural analysis of different phases of commodity circulation, including consumption. (Hughes 2000: 179)

We argue that consumption practices within UK markets are having important impacts upon on-farm labour practices within South Africa. These processes are highly complex and are heavily mediated by various industry actors. Through a close examination of this we are able to gain a greater understanding of the distribution of power within this particular network and thus to consider the potential for progressive change within the South African wine industry. We use this example to demonstrate the significance of multi-scalar struggles in the challenges facing ethical trade and how these, though localized “works in progress” (Allen et al. 2003: 62), are also connected to struggles against the most pernicious effects of global capitalism.

The challenges of transformation in the Winelands

The structure and organisation of the South African wine industry has undergone a substantial transformation since the end of apartheid and the dismantling of the regulatory regime that shaped the industry’s activities throughout the twentieth century (Ewert 2002). Prior to 1994, production was aimed primarily at the domestic market with the majority of grapes being sold by producers and their cooperatives to the KWV (Co-operative Wine Growers of South Africa) and other wholesalers (Williamson and Wood 2003). Guaranteed prices protected producers from market variations, creating a distorted market that favoured mass production of low quality grapes and doing little to reflect the unique terroir of the Western Cape. Innovation was effectively stifled as

producers had no real incentive to upgrade technology or skills. International boycotts and sanctions exacerbated these inward-looking characteristics of the industry.

By the time sanctions were lifted in the early 1990s, the industry was poorly prepared to exploit newly available opportunities. Whilst overseas consumers were keen to support South Africa's exports for the first time in decades, a rapidly earned reputation for 'mixed' quality wine stymied medium-term efforts to promote export growth. However, by the end of the first decade of democracy the picture is very different. New entrepreneurs have travelled the world to acquire knowledge of the latest technologies and marketing concepts and have operationalised these in South Africa. Whilst the learning curve has been steep, sufficient progress has been made both by individual estates and within industry institutions to facilitate an increase in exports from 20 to 220 million litres between 1994 and 2004 (Beake 2004). By 2003 South Africa had become the fifth largest exporter by value into the all-important UK wine market, was achieving year on year growth of 12% (second only to Australia) and three South African brands (Kumala, Arniston Bay and Namaqua) occupied positions in the top twenty best-sellers list (AC Nielsen 2004). In this sense the wine industry is one success story of the government's export-oriented trade regime, but what of transformations in working conditions?

The inward-looking and uncompetitive business model underpinning the apartheid-era industry was able to survive due to the appalling employment environments endured by workers, described as the "worst working conditions experienced in South Africa" (Brown et al. 2003: 23). A concept of paternalism defined the relationship between farmer and workers, with the latter receiving 'social dividends'

(housing, electricity and water) in addition to wages. However, wage levels were extremely low and whilst housing was usually available to permanent employees, this was lost if workers were fired (du Toit 1993). Workers were barred from collective organisation and faced punishments if efforts were made to unionise or engage in collective bargaining. Perhaps the most infamous aspect of on-farm labour relations was the 'dop' system, whereby workers were paid a component of their wages in the form of low-grade wine (Brown et al. 2003). As one commentator writes:

Generations of workers lived and died in shoddy housing, earning very little and slowly drinking themselves to death on 'dops' of cheap wine supplied by the farmers in lieu of cash. All that is changing, but not fast enough. (Anon 2004)

The resultant alcoholism increased dependence on employers and became associated with a raft of social problems in worker communities, including domestic violence and foetal alcohol syndrome.

As international sanctions were tightened in the 1980s, efforts were made to improve social conditions on farms (Ewert and Hamman 1999). These were initiated from within the industry with the support of the apartheid government and conservative international donors, rather than through worker activism, and were motivated by a need to improve productivity and upgrade externally held perceptions of the industry. Some significant improvements were made in terms of provision of schooling for workers' children and reduced infant mortality and fertility rates (Groenewald 1993). Recent research, however, reveals that the legacy of apartheid-era working conditions still affects labour within the industry. Pay rates tend to be very low, whilst working hours frequently exceed those laid down as acceptable by government legislation (Brown et al.

2003; Ewert and du Toit 2004; Women on Farms Project 2003). Physical abuse of workers is still evident on some farms and child labour is not uncommon, especially during seasonal peaks of labour demand. Health and safety is frequently a concern, particularly in relation to exposure to agrochemicals. The dop system is still practised on a few estates (Brown et al. 2003). In order to reduce labour costs, many employers are now seeking an increased proportion of contracted off-farm labour. Non-permanent workers are excluded from many basic entitlements and report much higher levels of exploitation and abuse. Such radical shifts in the structure of the division of labour have had profound implications for the broader relationship between workers and employees. Thus, farmers are abandoning many of the 'social dividends' of the paternalist system. As many as a third of farmers, for example, no longer consider the provision of housing to be part of their contract with employees (Ewert and du Toit 2004).

The ANC government has been extremely active in setting a legislative framework that seeks to redress the balance between employers and employees in the post-apartheid era. A series of employment acts, in theory at least, provide South African employees with a high level of support and protection (Ethical Trading Initiative 2004; Kruger and Hamman 2004). Whilst employment legislation seeks to address class-based imbalances, Black Economic Empowerment (BEE) legislation has sought to tackle the racially delineated inequalities inherited from the previous regime. These two facets of legal change define the legislative parameters within which the wine industry operates but enormous obstacles to transformation persist. A formidable 'wine industry complex' has evolved dominated by white Afrikaner men, many of whom were leading supporters of the National Party under apartheid. To a large extent, this white elite

continues to run the industry's major businesses and institutions (Ewert and du Toit 2004). It is thus hardly surprising that processes of black empowerment and broader societal transformation are often interpreted rather conservatively. Indeed, according to some industry observers, progressive change in the last decade has been largely limited to providing jobs for white women, who had been previously excluded from professional or managerial positions. The ongoing exploitation of black farm workers is but one dimension of the considerable and racially delineated challenges confronting the transformation process. Land ownership continues to remain almost exclusively in the hands of the minority white population (Kruger 2004; Kruger and Hamman 2004; Vink 2004). A handful of wineries are moving into black ownership but the rate of change is such that less than 1% of the industry is under black ownership (Nxumalo 2003). Employment patterns are highly racialised with few opportunities for black people within more highly remunerated positions. At the time of research, ten years after the election of the ANC, only one black person had reached the level of chief executive within any wine-producing organisation.

Evidence suggests that pragmatists within the industry approach empowerment and its associated support structure of legislation and initiatives as a set of challenges to be cynically manipulated. As one government figure observed, "The lawyers are usually at work identifying loopholes before the ink is dry on new legislation" (01/04/04). Enforcing legislation regarding on-farm labour practices is proving difficult; the Department of Labour is desperately under-resourced and inspectors face many obstacles when organising farm visits. Thus, the pace of socio-economic change within the industry has been rather slow. Critics point out that the industry has been highly

effective in talking the language of transformation and in setting up high profile initiatives but progressive outcomes remain limited. A senior figure in marketing suggested, with more than a hint of irony, that we should, “just ask *VineCape* [a pseudonym for a major Winelands-based company] how many black people are employed in *their* marketing department!” (23/03/04) Despite this apparently negative picture, some agents within the wine industry prefer to focus on more positive stories and point to both industry-wide and grassroots initiatives as evidence that progressive change is taking place. In what follows, we outline some examples of these initiatives and examine the extent to which retailers and consumers provide a potent force that can accelerate change.

Pathways for transformation and the market imperative

Against the backdrop of apartheid legacies, the varying dimensions of the challenge of transforming the wine industry are succinctly summarised by Nosey Pieterse, President of the Black Association of the Wine and Spirits Industry (BAWSI):

There can be no transformation in the absence of transformation of *ownership*. There can be no transformation in the absence of transforming the *control* of the industry. There can be no transformation in the absence of transforming our *skills* base” (National Library of South Africa 2004 emphasis added).

As discussed, the legislative and moral imperatives provide a limited impetus to effect socio-economic transformation, but this has generated a range of initiatives within the industry itself. These can be broadly classified into two categories. Firstly, industry-wide bodies are seeking to facilitate transformative processes within the various components

of the value chain. Secondly, a number of small-scale initiatives have emerged in various guises from the ‘grassroots’ with the aim of engendering localised socio-economic change mainly at the level of individual wine farms. The following discussion explores case studies from each of these kinds of initiative.

Industry-wide initiatives

In 1999, the Ethical Trade Initiative (ETI) South African wine pilot was set in motion by the UK government’s Department for International Development (DfID). The ETI’s remit is to find ways of upgrading the ethical dimensions of international trade via formalised systems of inspection. This bold initiative operates via a tripartite alliance comprising corporations, NGOs and trade unions. The South African wine industry was selected as one of the ETI’s pilot programmes through which the processes for setting, inspecting and reporting upon international labour standards could be tested. The pilot successfully assisted South African partners in developing and refining inspection methodologies for monitoring on-farm labour standards and was pivotal in bringing various industry stakeholders together for the first time. In response to its success, in November 2002 South Africans took ownership of the pilot’s objectives and set up the Wine Industry Ethical Trade Association, a not-for-profit, voluntary organisation seeking to promote the ideals of ethical trade in the local wine industry. WIETA has been described as the “jewel in the crown” (ETI representative Simon Steyne quoted in Distell 2002) of the ETI’s worldwide initiatives:

...[setting the] parameters for implementing and auditing ethical labour practices and working conditions in the Winelands. It is unique in the world and has drawn praise from human rights groups. (*ibid.*).

WIETA is managed through an executive committee comprising individuals representing different interest groups within the industry, including the export promotions agency Wines of South Africa (WOSA), organised labour, NGOs and the Department of Labour. As of April 2004, approximately 50 producers, suppliers and other interested parties had opted to become members, including major firms such as KWV, Distell, Vinfruco and Western Wines and individual farms and estates such as Beyerskloof, Villiera, Neil Ellis and Louisvale. WIETA has established a code of good practice based on the ETI base code and South African legislation (WIETA 2003). Key principles include: no child labour; freely chosen employment; the right to a healthy and safe working environment; the right to freedom of association; non-excessive working hours; the right to a living wage; prohibition of unfair discrimination; rights to worker's housing and tenure security. This is monitored through a social auditing inspection process that is complemented by efforts to educate producers and workers about the content of the code and its practical implementation. Indeed, the initial work of WIETA has been heavily focused upon education, with the early inspections in particular being seen as part of a broader learning process both for WIETA and the producers concerned. The imperative is to establish a dynamic upward trajectory of improvement in social conditions on farms rather than to 'fail' or shame producers.

WIETA is one of several 'empowerment-focused' wine industry bodies. The South African Wine and Brandy Company (SAWB) is a not-for-profit entity created by representatives of the wine producers, cellars, labour and wholesale merchants (SAWB 2004). It is involved in implementing the Wine Industry Plan, which seeks to develop the industry as "an internationally respected vine-products provider" (National Library

of South Africa 2004). It is facilitating transformation through the production of a scorecard system that rates individual companies according to their achievements in delivering empowerment. Membership of the Black Association of the Wine and Spirits Industry (BAWSI) is drawn from trade unions, civil society and black-owned small businesses; it has been particularly vocal in campaigning for black people to be given opportunities to gain business and technical skills required to participate in the industry. The South African Wine Industry Trust (SAWIT), funded by a ten year grant from KWV, manages two Article 21 companies: Busco, which is oriented towards the provision of business support and Devco, which assists new entrants to the industry, existing workers and their communities in accessing enhanced opportunities via the provision of education and training.

Grassroots initiatives

A number of wine estates are associated with projects that seek explicitly to empower workers (WOSA 2004a), which have emerged through the initiative of individual estate owners and worker/community organisations (Wesgro 2003). The precise business models deployed vary from case-to-case but many have been categorised as ‘worker equity schemes’ (Karaan 2004). A defining characteristic of the vast majority has been that workers have gained legal rights to the means of production, often by redirecting their housing grant entitlement towards the purchase of land (National Library of South Africa 2004). Farmers with a ‘progressive social conscience’ are usually the instigators of such schemes. Typically the workers’ group engages in the production of wines under its own label. The name of the wine and the content of the back label usually make

reference to the empowerment credentials of the product and its contribution to the transformation process in South Africa. For example:

Fairview winery...is headed by Charles Back, a leading South African wineman with a progressive social conscience. He has been instrumental in encouraging the setting up of the Fair Valley Workers' Association, a workers' co-operative which reinvests money back into improving education and housing. This venture truly represents their country's new found freedom and enterprise [Three Worlds 2000 red wine, retailed by Co-op].

Other well-known examples include 'Winds of Change', 'Freedom Road' and 'Thandi', the latter being the first wine in the world to receive Fairtrade accreditation (WOSA 2004b). These initiatives have attracted considerable attention both from within the industry and from wider media. Several of the projects have achieved notable export success.

Amongst the most well known is 'New Beginnings', which produced the first wine ever to be made by people of colour from grapes grown on their own land (Mohale 2003). The project initiator was Alan Nelson, a Cape Town legal advocate who bought the Nelson's Creek estate in the early 1990s. This had suffered bankruptcy under its two previous owners and consequently had "a hopeless, quagmire atmosphere and the vines were neglected" (Hiney 2002). In order to motivate his workforce, who had suffered the negative effects of the dop system for many years, Nelson promised to donate land if the estate produced an award winning wine (Anon 2001; Nelson's Creek Wine Estate 2000). Two awards followed and in 1997 Nelson donated 9.5ha to a workers cooperative on

condition that it was used for agricultural purposes (Mohale 2003). Furthermore, if the workers chose wine production Nelson stated that the co-operative could either have access to his equipment and hi-tech cellar or he would purchase their grapes. It was also agreed that the workers would cultivate their land in their spare time, as they remained employees of Nelson's Creek (Anon 2001).

The workers gained further assistance through the National Department of Land Affairs, which recognised the initiative as a land reform project (Mohale 2003). Support was garnered from a number of sources including the department of agricultural economics at the University of Stellenbosch, Elsenberg Agricultural College and KWV (Anon 2001). Agronomists advised that the cultivars presently grown on the land were inappropriate in the context of the prevailing terroir. A proportion of the existing vines was removed and new varieties planted. In 1998, the co-operative harvested its first grapes. The project quickly caught the imagination of the media and shortly after a broadcast on national television the retail chain Pick 'n Pay agreed to buy all the available stock (Anon 2001; Mohale 2003). Representatives from the co-operative subsequently attended Trade Fairs in Europe and further media attention led to interest from Dutch importers. In order to meet market demand the co-operative sourced in grapes from another estate. An agreement was made with Alan Nelson that once the original stock had been sold to Pick 'n Pay, he would meet the costs of sourcing and producing additional wine and that the profits would be divided 50-50 with the New Beginnings co-operative under whose label the wine would be sold.

Using income from their initial sales the New Beginnings co-operative bought a further 9ha of land and a truck and trailer. In terms of social dividends all the local

children are able to attend school, receiving funding to pay their fees, transport and uniform costs (Botha 2002). Each co-operative member now has their own life insurance policy and retirement fund and each family has received a cash dividend of R6500. During 2004, the co-operative announced an innovative cash-raising scheme whereby a private individual or company can “adopt a vine” (Titus 2004). The cash raised will facilitate further investments in the vineyard without taking risks associated with formal bank loans. In the longer term, the co-operative members aim to expand their production, create their own cellar, construct their own housing and enhance local education facilities. The project has drawn a great deal of media and government attention because its declared ideals resonate with those of the ‘new South Africa’ (Anon 2001; Hiney 2002; Mohale 2003). Similarly, Thandi wines were served to Queen Elizabeth at a recent state function; Freedom Road, Fair Valley and Villeria were served exclusively at British Labour Party functions during 2003. The criteria governing selection were “quality of the wines and the wineries’ progressive policies in supporting empowerment and security of land tenure for their farm workers” (Anon 2003).

Worker equity land transfers represent just one form of transformation scheme (Karaan 2004). Winds of Change wines are made in association with the Sonop estate. For each bottle sold approximately £1 is re-invested in community projects such as housing and education (Low 2001). The Freedom Road project on the Backsberg Estate uses the profits from the sale of wines for upgrading worker housing (WOSA 2004b). A workers’ vintage port is produced on the Helderkruijn estate using the raisiny grapes left at the end of harvest (WOSA 2004b). The profits are used to fund social upliftment projects. Other models of empowerment focusing upon black business ownership are

emerging. The Lindiwe wine cellar, which sources its grapes from external estates and farms, is owned by BEE company Reinvest Ltd, which pays a proportion of profit dividends to BAWSI (Lindiwe Wines 2004). At the other end of the spectrum successful black businessmen, such as leading ANC figure Tokyo Sexwale, are purchasing wine farms in their own right (du Bois 2004; Fisher 2003).

The role of consumers and retailers as drivers of change

Within the context of the enormous obstacles to change in the South African wine industry, how might the emergence and apparent success of alternative approaches be explained? In what ways are different forces operating to facilitate new initiatives that appear, at least on initial inspection, to approximate more closely to legislative and moral imperatives? We want to suggest, in the case of the specific initiatives outlined above, that international forces are of prime importance in shaping local level processes within the Western Cape. Obviously national political imperatives place discourses of transformation and empowerment at the very heart of daily life in South Africa and these have emerged as an urgent response to the legislative and moral context. As Su Birch (CEO of WOSA) observes, “given our history, it [transformation] is simply a thing we have to do” (Distell 2002). However, for any new initiatives to progress it is crucial that they are able to connect with a market. Furthermore, it can be argued in this case that the existence of an *international* market is the ultimate facilitator of wine industry initiatives. As Pearson and Seyfang (2001: 53) observe:

Worker’s interests are articulated in the market place, where product choice and market shares are increasingly influenced by consumer preferences and perceptions about ethical labour practices.

Thus, consumers are playing ever-greater roles in influencing practices at the point of production in a range of industries across the globe. We suggest that different facets of consumer demand, which are in turn mediated by supermarket retailers through commodity networks, are perhaps the crucial link allowing these initiatives to become established.

UK-based retailers have been a significant influence upon the development of transformation initiatives. Many of the wines emanating from grassroots initiatives are sold in major UK supermarkets. Tesco and Waitrose, for example, were amongst the first to support Thandi wines. Furthermore, retailers were instrumental in the creation of WIETA. High levels of retailer buy-in were achieved during the ETI pilot, particularly from the Co-op, Sainsbury and Tesco. The subsequent extension of the pilot into a fully-fledged, locally-managed association has been strongly supported by these firms who, along with Waitrose, Marks & Spencer, Asda, Threshers and Somerfield, have been involved in consultation exercises with WIETA's chief executive. UK retailers contribute heavily to the funding of WIETA by donating their share of the EU Common Customs Tariff rebate (granted to South Africa in exchange for dropping the terms 'sherry' and 'port' on its products) back to the South African wine industry.

Retailer pressure has been extremely important in encouraging producers to join WIETA. Both the ETI and subsequently WIETA have faced resistance and often hostility from some quarters within the local industry. As a member of WIETA's executive board explains (25/03/04), more conservative producers have responded to these initiatives by asking bitterly: "Why us? Again?" suggesting South African producers are being unfairly singled out for criticism by international observers; WIETA

has also experienced difficulties in recruiting members. Others take an alternative view and instead perceive opportunity rather than threat: WIETA is a “smart high plus in upmanship on numerous other producer countries” (Distell 2002), providing: “something...that makes our wines stand out” (Sawit Chairman Gavin Pieterse quoted in Morris 2003). Quite simply, “it will play out greatly to South Africa’s advantage if workers’ rights and working and living conditions are beyond question” (Distell 2002). The importance of ‘standing out’ in a marketplace crowded with dynamic, competitively priced New World wines cannot be underestimated. It is in this context that export-oriented producers see more value in participating; indeed, it is doubtful whether WIETA could exist were membership not perceived by an increasing number of suppliers as a way of securing an export contract with retailers.

The decision by UK retailers to support WIETA and to stock individual empowerment wines is largely driven by a need to respond to contemporary consumer demands. Consumer campaigns and boycotts are effective methods for forcing corporations to take greater responsibility for labour standards (see for example Ethicalconsumer.org 2003; Sweatshopwatch.org 2003). Retailers have become increasingly responsive to the need to maintain a ‘clean’ image and avoid damaging consumer protests (Gatehouse 1989; Klein 2000; Ross 1997). By sourcing wines from empowerment projects and WIETA members, retailers are ensuring that they are offered some protection from the criticism that could result from an exposé of labour practices in the industry. Retailers are aware that South African products remain a source of vulnerability, as a proportion of the consumer population is likely to be sensitive to revelations that some apartheid-era inequalities remain. Furthermore, the ongoing

troubles in Zimbabwe are focusing extra attention on land-based industries in the Southern African region. As several industry insiders pointed out, retailers can point to their support for the individual wine projects and their membership of WIETA as evidence of their non-complicity in the more iniquitous elements of the industry. In this sense retailer involvement in transformation endeavours plays a defensive, damage limitation role within their broader corporate strategy. Codes of conduct, such as those developed through WIETA, have thus become a necessary business protocol offering a relatively inexpensive measure to protect corporate reputations. Furthermore, the process of ensuring that suppliers meet acceptable standards is rendered much simpler if it can be managed through a single organisation. Many observers believe that in time some retailers may seek to source all their South African wines from WIETA members.

Alternative trade also offers corporations non-price advantages with which to gain leverage over competitors (Barrientos 2000). Retailers can tap into positive consumer behaviour, which involves actively seeking out products that have been deemed fair or ethical. Such behaviour tends to be the preserve of a small, albeit fast growing, niche amongst the population (Mintel 2001; Mintel 2002). Contemporary ethical purchasing is based on extensive understandings of working conditions around the world and has progressed considerably from the ‘warm glow’ of socially responsible shopping (Howard 1995). The New Economics Foundation found that:

not only [are] consumers concerned, they [are] actively engaged – and regularly reward those companies who produce their goods in more socially and environmentally friendly ways. (Doane 2001: 4)

The growth of the ethical consumer category is illustrated by the fact that sales of fair trade goods, for example, are estimated to be worth US\$400 million worldwide and involve over 4.5 million producers and their families in 36 countries (The Fairtrade Federation 2002). In addition, changing commodity cultures in the UK have seen wine become an everyday rather than a luxury product, which has undoubtedly created opportunities for ethically-traded South African wines.

For more ethically concerned consumers, particularly those who can relate to the era of consumer boycotts, there is the added attraction of ‘reversing the boycott’ and making a positive contribution to post-apartheid South Africa. The labelling of wines tends to emphasise their self-proclaimed empowerment credentials. Thus, consumers are made aware that their choice of wine has an ethical dimension. It can be argued that ethically-produced wines from South Africa have an advantage in this regard as ethically-minded consumers are likely to recognise the significance of social upliftment efforts. The vast majority of wines with ethical credentials on sale in the UK are sourced from South Africa. As mentioned previously, Thandi was the first Fairtrade Foundation accredited wine, whilst the Co-op sells two self-accredited South African sourced Fairtrade wines. Interestingly, retailers have not tended to single out these wines for promotional purposes, partly because there is a fear that third parties could contest claims of empowerment and stimulate negative publicity. Yet our research suggests that ethically sensitive consumers are frustrated by a lack of information, particularly in relation to South African produce. Indeed, 80% of respondents in our survey of former Anti-Apartheid Movement members expressed an interest in finding out more about

ethical and fair-trade produce from South Africa; ninety percent stated they would make a conscious effort in the future to buy products referred to in our survey.

Assessing transformative initiatives in South Africa

It can be argued that western-based consumers are providing a market opportunity that facilitates the evolution of transformation initiatives within the South African wine industry. Yet, the projects have been a source of local controversy and their outcomes merit close interrogation. In this instance we briefly evaluate the socio-economic contribution that these initiatives have made to their intended beneficiaries and consider the extent to which they represent alternative pathways to socio-economic development.

More radical voices within the industry believe that the empowerment credentials of many of the grassroots equity share schemes are vastly overstated. Indeed, one interviewee with direct experience of managing empowerment projects stated: “Don’t bother with empowerment wines, they are a farce... To build hopes around projects like those is absurd” (11/03/04). For some observers the projects represent nothing more than a subtle readjustment of the neo-paternalist order, as the worker ownership co-operatives remain dependent on the farmer for access to equipment, cellaring facilities, marketing support and access to sales networks; empowerment is impossible because of the embeddedness of these forms of dependency. Nosey Pieterse (Wardman 2004) refers to a “soup kitchen mentality” amongst farmers, suggesting that they are more interested in self-serving charitable projects than initiatives that could challenge the structural inequalities of the industry. An absence of meaningful training and genuine mentoring precludes any significant advancement by the new shareholders. In fact a pernicious form of pseudo-empowerment occurs whereby individuals are under the illusion that as

owners of the means of production they have some form of power and control, whilst in reality they remain dependent upon the white farmer due to an absence of technical and business knowledge transfer. According to critics there may be much talk about mentoring and training opportunities but relatively little actually occurs. The occasional individual may experience upward social mobility and even become a symbol of the success of a project but these individuals are atypical of the experience of the majority.

Some critics allege that white farmers become involved for business rather than altruistic reasons. Firstly, empowerment projects attract considerable favourable publicity for farmers, their estates and their products. The 'halo' effect allows these estates to differentiate themselves within a crowded market place. It is reported that one farmer increased sales from his estate by 100% following the inception of a well-publicised worker empowerment project. Secondly, in the majority of cases the members of the co-operative continue to work on the farmer's estate as well as their own vineyard. An increase in productivity results from their increased sense of self worth and gratitude to their employer and may also occur due to increased technical expertise developed through endeavours on their own plot. Thirdly, there are accusations that worker equity schemes are initiated to provide cash injections, via government housing and land reform grants, for farmers who might otherwise have faced bankruptcy.

Moderate voices adopt a more nuanced stance. Certainly, some farmers are involved for self-serving reasons and here beneficial outcomes are restricted, but projects should be evaluated according to whether workers have gained "independence and self esteem" and represent "a reduced burden on the state" (skills trainer, 31/03/04). Key indicators of social progress include raising incomes, the ability to save for a

pension and gaining a permanent home. Such outcomes may not match the empowerment ideals held by more radical observers but in the context of overcoming enormous disparities they can be seen as pragmatic and progressive. Moderates do not see material ownership of businesses or land as a central component of the process: “not everyone can be an entrepreneur” (*ibid.*). Instead the focus should be upon developing a sense of ownership over the business process. Some of the more successful initiatives do involve highly structured training programmes, which are tailored according to local needs, designed such that workers can gradually take increasing levels of responsibility and control, and ensuring that they gain competence in business and technical skills.

Our research suggests that at the local level the various worker equity schemes have produced mixed results. Some have operated with inappropriate business models, some have produced poor products and some have undoubtedly been prone to forms of elite capture. Yet, a number of communities have been afforded opportunities that would not otherwise have been available to them and have gained notable social dividends; some individuals have gained previously unheralded opportunities that have enabled them to advance their careers in ways that perhaps would not have been possible. Some projects have been highly successful in commercial terms, with Thandi and New Beginnings proving that it is possible to produce award-winning wines and secure a market. Such projects still operate very much at the margins of the industry as a whole and appear dependent upon their ‘empowerment credentials’ to secure a market niche, but optimists believe that in time they will be able to break into new markets, such as the African-American and emerging black South African middle class, and thus face a secure future. Others believe that the novelty will soon wear off and that other, more

sustainable, approaches to empowerment and transformation must be identified and implemented.

The extent of local contestations over the value of worker equity-type projects should not be underestimated, particularly the necessity for these to be branded as ‘empowerment’ or ‘transformation’ projects in order to attract government monies and the eyes of retailers and consumers. Without such branding they would almost certainly struggle to attain a niche within the marketplace. Of course, marketing by its very nature exaggerates and invents realities but the seemingly casual utilisation of the very language that represents ongoing internal struggles in South Africa is problematic to many. Certainly there are justified concerns that whilst these schemes do bring benefits to those involved the sum of these benefits does not equate to a truly emancipatory form of empowerment. Critics are vehement in their belief that the initiators of these schemes should be honest about the limitations of the socio-economic ambitions of the projects.

At this stage it is too early to assess the fullness of the impacts of industry-wide initiatives. At the time of writing, WIETA has completed a year of social auditing and forty-two members have passed through an initial inspection process. The results show both success stories where producers are complying, particularly in providing a living wage and avoiding child labour, and areas where labour standards are consistently low (<http://www.wieta.org.za/news.html>, accessed 01/06/05). However, its supporters are optimistic about its potential to make a significant contribution to improved on-farm labour standards and to form part of a wider process facilitating empowerment within the industry. There is no pretence that this is straightforward. Indeed, South Africa’s complex political history is a stumbling block that constantly requires skilled

negotiation. As a WIETA board member notes: “we have to get past all that stuff every time before we can get down to business” (01/04/04). Discussions around the multiple meanings and interpretations of empowerment feature heavily in debates. The fact that such debates are occurring and ultimately feeding into WIETA policy is a symbol of WIETA’s initial success. Debate is in part fed by the various experiences of grassroots initiatives, which provide case examples of the trials and tribulations of transformation in action. In this sense grassroots initiatives are fundamentally important in providing concrete evidence of the structural factors impinging upon and facilitating change in South Africa’s land-based industries.

Grassroots initiatives and WIETA might be perceived as representing alternative pathways to socio-economic development through their efforts to improve the livelihoods of the previously disadvantaged. At present WIETA’s ambitions are, in fact, limited to ensuring the full application of national laws. However, these laws are widely seen by supporters of labour as highly progressive and advanced in international terms. If WIETA is able to achieve full legal compliance within the industry it is likely that South African farm workers will benefit from better working conditions than the majority of their counterparts in other wine growing regions. These initiatives have established that markets for wines labelled as ‘ethical’ do exist, despite the mocking tones of some local and international actors who state that consumers do not want their wine to be ‘political’ or too ‘overtly African’ (Thiel 2003; WOSA 2003). On the contrary, as our research suggests, there is significant consumer interest in such products, the full extent of which has probably not yet been fully exploited. The ACTSA survey results suggest that ethically aware consumers are confident that their

interventions can make a difference and that they desire more information on progressive initiatives that are already in existence. Despite limited concerted change in the wine industry these projects have also provoked debate and provide a focus for evaluation and discussion within the industry's more progressive forums, with concrete case histories of land reform and business models that have been implemented on a small-scale. The ways in which different sets of power relations play out is particularly informative, enabling analysts within the industry and government to formulate progressive ways forward. Debates over the practical meanings of empowerment and transformation are particularly important. Various stakeholders ascribe very different meanings to the terms but the establishment of these initiatives is part of a process of setting a tone within the industry, reinforcing the imperative of transformation and identifying challenges that are situated within local and global power structures.

Struggles ahead

As with the national context, the transformation process within the South African wine industry has been slow to gather momentum. It can be argued that the scene is set for change but for meaningful transformation to become a reality a number of struggles remain. We highlight three to illustrate the types of global and local constraints that need to be confronted before progressive change is embedded through alternative trade systems.

The entrenched, institutionalised conservatism of the wine industry is clearly one significant barrier to rapid change. Whilst pressures may be exerted through ethical initiatives, national legislation and western-based retailers and consumers the capacity of the industry elite to absorb these pressures is formidable. Whilst there may be gradual

improvements in farm labour standards, albeit from a low base, significant shifts in mindset are required for full compliance to become the norm. Significant changes in patterns of land ownership and in the racialised division of labour within the industry are unlikely to occur in the short to medium term. Moreover, like much of South African agribusiness (du Toit 2003), its precise *modus operandi* remains unclear to external observers. Overcoming the machinations of this power bloc is an enormous challenge for agents of change particularly as such a high proportion of the industry's human and social capital has been invested in these individuals and their networks.

Western retailers have thus far been portrayed as constructive agents within this paper; however, their actions in relation to the management of supply chains pose considerable challenges. The apparent hypocrisy of the supermarkets, described by one senior wine industry figure as “foul and ferocious” (09/03/04), has been well documented (Barrientos 2000; du Toit 2001; du Toit 2002; Hughes 2000; Hughes 2004; Hughes 2005). They insist upon the implementation of various production standards from their suppliers but they compromise these very processes by insisting that suppliers should meet the full costs of compliance. This, coupled with increased downward pressure upon prices, leaves producers with very tight profit margins. Scope for investing in the needs of workers thus tends to be limited. Resolving such conflicts is certainly a challenge. Fairtrade products circumnavigate such concerns to an extent through the recognition that they include a premium paid directly to the producers' community. Debates are ongoing within WIETA as to whether an ethical labelling process might bring commercial benefits to its members.

The precise content and methodology of compliance codes is a further arena for consideration (du Toit 2001; Ethical Trading Initiative 2004). Defining criteria by which producers should be assessed is a highly complicated process and was the subject of much controversy during the ETI pilot. Such codes tend to be devised by actors in the global north, who operate with the sensibilities of northern consumers in mind rather than the locally specific needs of a given region in the global south. (Child labour is a much-cited example of an issue driven by northern concerns rather than realities elsewhere. Codes that prevent children from formal employment can increase financial insecurity of households force children into the informal economy. The exploitation of child labour requires attention but also sophisticated locally-specific responses rather than blanket bans to appease the simplistic prejudices of northern constituencies.) For WIETA there are undoubted tensions to be confronted in terms of devising and applying criteria that are locally appropriate rather than ones indiscriminately imposed by retailers. Similar debates are ongoing within the Fairtrade community. The market for Fairtrade goods has risen rapidly in the last decade and the concomitant need to increase supply has led to Fairtrade principles being tested under completely different political, historical and institutional contexts. Applications for Fairtrade accreditation have risen exponentially in the last two years within South Africa. Yet, the criteria, which appear to have worked well when applied to smallholder production in other parts of the world, are less applicable to this context. As Kruger and Hamann (2004 p.10) observe:

Surely it will be a supreme irony if white commercial farmers, who ten years ago faced sanctions, are now rewarded with Fairtrade status without having contributed to social change in South Africa.

There is clearly a need for increased southern agency in devising and applying ethical and Fairtrade criteria.

At the other end of the value chain lies the domestic consumer, in whose name the retailers claim to act (Cook et al. 1998). We argue that there is a pressing need for producers and consumers to become more directly connected in terms of information flows. At present consumers are represented by retailers, yet are left in the dark as to the outcomes of action undertaken in their name. They lack readily available and digestible sources of information about the full origins of the produce they purchase and the conditions under which it has been produced. Great leaps of faith are required, as consumers have to accept that Fairtrade produce is always socially progressive and that retailers that are signatories to ETI and WIETA are not knowingly selling commodities produced in socially unacceptable conditions. The complexity of commodity networks is a significant issue in this regard. An individual wine cellar, for example, may operate to high social standards, yet can consumers be assured that the various vineyards from which it sources its grapes meet the same standards?

Conclusions

Since the end of apartheid the South African wine industry has emerged from a highly regulated past into a globalised and highly competitive market. For over a decade the industry has been in a state of flux and is still characterised by ‘winners’ and ‘losers’ jostling to gain and maintain an edge within the market. Thus far the winners have been those who can adopt the latest technologies, replant with desirable cultivars, produce quality wines, keep their production costs to a minimum and secure prized contracts with western retailers. The losers have been the smaller estates and co-operatives that

lack sufficient capital to compete. Whilst the number of employment opportunities in the industry has risen, real incomes and security remain low. Furthermore, Ewert and du Toit (2004: 1-2) argue that:

livelihoods on wine farms in the Western Cape have been shaped by a 'triple transition' involving local industry de-regulation, international agro-food integration and the politics of democratisation and legal reform...As modernity comes to the wine farms, new challenges and problems come into being – challenges that existing South African paradigms of workplace transformation are inadequate to address.

It is in this context that a deepening divide has been identified in rural areas between decreasing numbers of permanent employees, whose working and social conditions are on the whole improving, and a growing proportion of casualised workers who bear the brunt of producers' desires to keep down costs through flexibilisation (Ewert and du Toit 2004).

This backdrop of industry restructuring hardly appears to represent a fruitful environment within which to effect any form of progressive socio-economic transformation. Yet, it is clear that despite international and local constraints a range of progressive endeavours have been initiated. The wine industry has certainly appeared pro-active in setting up an institutional matrix to meet the transformation challenge. Various bodies with a transformation remit now exist, there have been a number of industry conferences to discuss issues of transformation and initiatives are taking place at farm level. Whilst the scope of the ventures so far has been rather limited, a

momentum for change is gathering and important precedents have been set such that many local observers are optimistic that the industry is on the right track.

Events currently unfolding within the Cape Winelands are highly complex, being simultaneously influenced by an array of local, national and global factors. Sophisticated means of analysis are required in order to comprehend these ongoing processes. A network approach is instrumental in assessing the inter-relationships between different actors involved in the production, distribution and consumption of South African wine. Power resides in certain key loci within the broader network, particularly the local wine industry complex and a handful of powerful UK-based retailers. Forces within the local wine industry complex are extremely conservative in terms of their approach to socio-economic change. It appears that overseas retailers and consumers are likely to be the most potent agents of change within the industry, but the limits of this route to change must be recognised. Whilst increased compliance with national BEE and employment legislation will improve the livelihoods of many South Africans, the extent to which such change is truly transformative will undoubtedly be open to critical interrogation. Ultimately the constraints of a highly competitive global market for wine will impose considerable pressure on production costs, which are invariably passed on to the least powerful members of the network – the workers. Although the retailers have been instrumental in setting up WIETA and supporting individual initiatives, their sourcing policies place considerable downward cost pressures on suppliers and are likely to severely restrict transformative endeavours. Hope may be apparent through the future growth of the ethical consumption niche, which some observers are optimistic will offer

excellent market opportunities for those suppliers who have been proactive in setting up ethical production systems.

In many ways this paper raises more questions than it answers. We have outlined the main initiatives towards socio-economic upliftment and transformation within the South African wine industry and examined two of these routes in detail with particular reference to the global and local forces that shape them. There is a long way to go before transformation becomes embedded within the daily practices of the industry. These processes are clearly of critical importance within South Africa as its post-apartheid transition continues to unfold. More broadly lessons might be learned about the potential for international trade to facilitate more equitable patterns of growth. In the case of South Africa such issues are high on the political agenda due to the imperatives generated by its recent history. Thus, efforts to effect re-distribution of wealth and opportunity are now being fast-tracked. These initiatives merit close interrogation in the coming years. As Cook and Harrison (2003: 312) state, it is important for research to:

locate, document and critically analyse case studies where (formerly) colonial people, communities and businesses have been able to capitalise on fissures and counter logics within dominant accounts of global capitalism.

The novel initiatives outlined in this paper certainly fit such a characterisation. Whether they are ultimately able to become part of a broader international movement that challenges the distribution of power within dominant accounts of global capitalism remains a question of critical importance. By highlighting the significance of multi-scalar struggles in the challenges facing ethical trade, we suggest that these initiatives

have broader political relevance. As Allen et al. (2003: 62) argue localized struggles are held in productive tension with broader international struggles. Initiatives within the South African wine industry are highly localized but also connected to international struggles against the most pernicious effects of global capitalism and thus could contain the seeds of broader social change.

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